

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Downtown Development Authority of the Charter Township of Van Buren</u>		County Wayne
Audit Date December 31, 2005		Opinion Date April 5, 2006		Date Accountant Report Submitted To State: June 30, 2005

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 1000 Oakbrook Drive, Suite 400	City Ann Arbor	State MI	ZIP 48104-6815
Accountant Signature <i>Plante & Moran, PLLC</i>			

**Downtown Development Authority of the
Charter Township of Van Buren
Wayne County, Michigan**

**Financial Report
with Supplemental Information
December 31, 2005**

Downtown Development Authority of the Charter Township of Van Buren

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Independent Auditor's Report

To the Board of Directors
Downtown Development Authority
of the Charter Township of Van Buren
Wayne County, Michigan

We have audited the accompanying basic financial statements of the Downtown Development Authority of the Charter Township of Van Buren (a component unit of the Charter Township of Van Buren) as of December 31, 2005 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Downtown Development Authority of the Charter Township of Van Buren's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Downtown Development Authority of the Charter Township of Van Buren as of December 31, 2005 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

April 5, 2006



A worldwide association of independent accounting firms

Downtown Development Authority of the Charter Township of Van Buren

Governmental Fund Balance Sheet/Statement of Net Assets (Deficit) December 31, 2005

	Governmental Fund	Adjustments (Note 2)	Statement of Net Assets (Deficit)
Assets			
Cash and cash equivalents (Note 4)	\$ 4,320,806	\$ -	\$ 4,320,806
Restricted assets (Note 8)	4,946,519	-	4,946,519
Accounts receivable	5,748	-	5,748
Due from other governmental units	5,055	-	5,055
Capital assets being depreciated - Net (Note 5)	-	989,587	989,587
Total assets	<u>\$ 9,278,128</u>	989,587	10,267,715
Liabilities			
Accounts payable	\$ 215,987	-	215,987
Accrued and other liabilities	49,879	91,405	141,284
Deferred revenue (Note 6)	1,097,108	-	1,097,108
Noncurrent liabilities (Note 7):			
Due within one year	-	497,638	497,638
Due in more than one year	-	8,266,377	8,266,377
Total liabilities	1,362,974	<u>8,855,420</u>	<u>10,218,394</u>
Fund Balance/Net Assets (Deficit)			
Invested in capital assets	-	989,587	989,587
Reserved/Restricted for debt service	1,254,813	-	1,254,813
Reserve for construction	3,425,840	(3,425,840)	-
Unreserved/Unrestricted	<u>3,234,501</u>	<u>(5,429,580)</u>	<u>(2,195,079)</u>
Total fund balance/net assets (deficit)	<u>7,915,154</u>	<u>\$ (7,865,833)</u>	<u>\$ 49,321</u>
Total liabilities and fund balance	<u>\$ 9,278,128</u>		

Downtown Development Authority of the Charter Township of Van Buren

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2005

	Governmental Fund	Adjustments (Note 2)	Statement of Activities
Revenue			
Property taxes	\$ 1,821,268	\$ -	\$ 1,821,268
Interest income	158,554	-	158,554
Total revenues	1,979,822	-	1,979,822
Expenditures			
Administrative	110,723	-	110,723
Capital outlay and other	751,690	599,866	1,351,556
Depreciation and amortization	-	83,606	83,606
Debt service:			
Debt principal	155,000	(155,000)	-
Debt interest	340,915	(4,460)	336,455
Total expenditures	1,358,328	524,012	1,882,340
Excess of Revenue Over Expenditures	621,494	(524,012)	97,482
Other Financing Sources (Uses)			
Proceeds from issuance of debt	8,845,000	(8,845,000)	-
Payment to escrow agent	(4,498,347)	4,498,347	-
Total other financing sources	4,346,653	(4,346,653)	-
Change in Net Assets	4,968,147	(4,870,665)	97,482
Fund Balance/Net Assets (Deficit) -			
Beginning of year	2,947,007	(2,995,168)	(48,161)
Fund Balance/Net Assets (Deficit) -			
End of year	<u>\$ 7,915,154</u>	<u>\$ (7,865,833)</u>	<u>\$ 49,321</u>

Downtown Development Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2005**

Note 1 - Significant Accounting Policies

The Downtown Development Authority (the "Authority") of the Charter Township of Van Buren (the "Township") is organized pursuant to State of Michigan Public Act No. 197 of 1975. The primary purpose of the Authority is to encourage economic activity in the Township. This purpose is accomplished by the Authority collecting captured property taxes under a tax increment financing plan in accordance with state law and budgeting expenditures for improvements in the Authority's district boundaries.

The Authority is a component unit of the Township and is included in the basic financial statements of the Township at December 31, 2005.

Basis of Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. There are no component units required to be included in these financial statements.

The following is a summary of the significant accounting policies:

The government-wide full accrual financial statements (the statement of net assets (deficit) and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. For the purpose of the government-wide financial statements, the Authority reports a liability for the outstanding 1995 Downtown Development Authority Bonds, which will be repaid through captured property taxes in future periods. A significant portion of the Authority's activities in previous years related to investments in infrastructure that are the property of and are reported as assets in the basic financial statements of the Charter Township of Van Buren, Michigan rather than in the Authority's financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2005

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet and statement of governmental fund revenue, expenditures, and changes in fund balance of the Authority's General Fund differ from the statement of net assets (deficit) and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets (deficit) and statement of activities versus the current focus of the General Fund balance sheet and statement of governmental fund revenue, expenditures, and changes in fund balance.

The statement of net assets (deficit) includes the capital assets and the long-term debt along with the accrued interest expense and deferred costs of financing. The statement of activities includes the reclassification of the capital outlay to capital asset additions, depreciation expense, and the reclassification of the debt principal payments from the expense to offsetting the liability.

Note 3 - Budget Information

The annual budget is prepared by the Authority's board and adopted by the Township board; subsequent amendments are approved by the Authority's board and approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2005 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been adopted on a line-item basis and has been prepared in accordance with accounting principles generally accepted in the United States of America with exception of the bond proceeds from issuance of debt net of payment to escrow agent budgeted as a revenue. A comparison of actual results of operations to the budget as adopted by the Authority's board is included in the required supplemental information.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2005

Note 4 - Cash and Cash Equivalents

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Authority has elected to comply with the Township's investment policy. The investment policy adopted by the Township board in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority listed above.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Township had \$4,320,806 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pools	\$ 4,946,520	AI/PI/FI	S&P

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2005

Note 5 - Capital Assets

Capital asset activity of the Authority was as follows:

	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
Capital assets not being depreciated:				
Construction in progress - Fire stations	\$ 10,330	\$ -	\$ (10,330)	\$ -
Land	<u>505,822</u>	<u>-</u>	<u>(505,822)</u>	<u>-</u>
Total capital assets not being depreciated	516,152	-	(516,152)	-
Capital assets being depreciated - Land improvements	<u>1,384,497</u>	<u>-</u>	<u>(93,662)</u>	<u>1,290,835</u>
Subtotal	1,900,649	-	(609,814)	1,290,835
Accumulated depreciation - Land improvements	<u>234,952</u>	<u>76,244</u>	<u>(9,948)</u>	<u>301,248</u>
Net capital assets	<u>\$ 1,665,697</u>	<u>\$ (76,244)</u>	<u>\$ (599,866)</u>	<u>\$ 989,587</u>

Note 6 - Deferred Revenue

Governmental funds defer revenue recognition in connection with resources that have been received but not yet earned. As of December 31, 2005, the Authority received \$1,097,108 of property taxes levied for 2006, which will be recognized during the year ending December 31, 2006.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2005

Note 7 - Long-term Debt

The Authority issues bonds to provide for the acquisition and construction of major capital facilities.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Downtown Development Authority							
1995 Revenue Bonds:							
Amount of issue - \$5,000,000		\$155,000-					
Maturing through 2016	8.40	\$700,000	\$ 4,565,000	\$ -	\$ (4,565,000)	\$ -	\$ -
2005 Revenue Bond:							
Amount of issue - \$4,405,000	3.00	\$145,000-					
Maturing through 2025	5.00	\$330,000	-	4,405,000	-	4,405,000	145,000
2005 Refunding Bond:							
Amount of issue - \$4,440,000	3.50	\$360,000-					
Maturing through 2015	5.00	\$660,000	-	4,440,000	-	4,440,000	360,000
Deferred amount on refunding			-	(88,347)	7,362	(80,985)	(7,362)
Total			\$ 4,565,000	\$ 8,756,653	\$ (4,557,638)	\$ 8,764,015	\$ 497,638

The annual requirements to service the outstanding debt are as follows:

Years Ending December 31	Principal	Interest	Total
2006	\$ 505,000	\$ 378,676	\$ 883,676
2007	530,000	374,059	904,059
2008	565,000	356,234	921,234
2009	600,000	337,059	937,059
2010	645,000	315,334	960,334
2011-2015	3,280,000	1,088,581	4,368,581
2016-2020	1,200,000	525,331	1,725,331
2021-2025	1,520,000	208,084	1,728,084
Total	\$ 8,845,000	\$ 3,583,358	\$ 12,428,358

Downtown Development Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2005**

Note 7 - Long-term Debt (Continued)

Advance and Current Refundings - During the year, the Downtown Development Authority issued \$4,440,000 in tax incremental revenue refunding bonds with an average interest rate of 4.25 percent. The proceeds of these bonds were used to advance refund \$4,410,000 of outstanding 1995 revenue bonds with an average interest rate of 8.4 percent. The net proceeds of \$4,498,347 (after payment of \$211,335 in underwriting fees, insurance, and other issuance costs) plus an additional \$444,000 of debt service reserve monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the government-wide statement of net assets. The advance refunding reduced total debt service payments over the next 10 years by approximately \$1,471,000, which represents an economic gain of approximately \$1,004,000.

Note 8 - Restricted Assets

Restricted assets as of December 31, 2005 consist of cash and cash equivalents totaling \$4,946,519. These assets are restricted for the purposes of the 2005 revenue bond debt, of which \$1,254,813 is for debt service reserves and \$3,691,706 is for unspent bond proceeds. Fund balance/net assets have been reserved/restricted for \$1,254,813.

Note 9 - Risk Management

The Authority is exposed to various risks of loss related to torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority is covered by insurance purchased by the Township for all claims.

Required Supplemental Information

Downtown Development Authority of the Charter Township of Van Buren

Required Supplemental Information Budgetary Comparison Schedule Governmental Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,636,800	\$ 1,641,986	\$ 1,821,268	\$ 179,282
Interest income	27,000	86,000	158,554	72,554
Construction revenue bond 2005A	-	4,097,000	4,346,653	249,653
Total revenue	1,663,800	5,824,986	6,326,475	501,489
Expenditures				
Administrative	106,100	118,450	110,723	7,727
Capital outlay and other	287,000	735,500	751,690	(16,190)
Debt service:				
Debt principal	155,000	155,000	155,000	-
Debt interest	383,460	383,460	340,915	42,545
Total expenditures	931,560	1,392,410	1,358,328	34,082
Excess of Revenue Over Expenditures/ Change in Net Assets	732,240	4,432,576	4,968,147	535,571
Fund Balance/Net Assets -				
Beginning of year	2,925,509	2,947,007	2,947,007	-
Fund Balance/Net Assets -				
End of year	<u>\$ 3,657,749</u>	<u>\$ 7,379,583</u>	<u>\$ 7,915,154</u>	<u>\$ 535,571</u>